

**U.S. Senate
Republican Policy
Committee**

Don Nickles, Chairman
Doug Badger, Staff Director



**U.S. House
Republican
Conference**

John Boehner, Chairman
Barry Jackson, Executive Director

November 16, 1995

Preserving, Protecting, and Improving Medicare

The Balanced Budget Act of 1995 incorporates the provisions of the Medicare Preservation Act of 1995. This initiative addresses a critical issue — the solvency of the Medicare program, threatened by spiraling spending growth rates. The Part A Trust Fund, according to the Medicare Trustees, will begin to run a deficit next year, and will be exhausted in 2002. The Part B program is also growing at unsustainable rates, resulting in both increased costs to seniors and a soaring federal deficit.

The Medicare Preservation Act will preserve the system for current beneficiaries, protect it for future beneficiaries, and strengthen it through reforms that have worked in the private sector.

Keeping Our Commitment to Traditional Medicare:

- Average per beneficiary spending will increase from \$4,800 to \$6,700 over the next seven years, a \$1,900 increase per retiree.
- Today, the amount Medicare pays per beneficiary varies widely across the nation, based on a formula that props up medical costs in some areas. Rural areas have been particularly disadvantaged by this current formula. The MPA begins to address this disparity by increasing payment rates faster in rural, low-rate counties.
- No increases in co-payments or deductibles, and no indexing of deductibles.
- No increase in the current rate for premiums. Premiums are 31.5% of Part B costs. They will continue to be calculated that way so they will increase slightly every year, just as they have since the inception of the program.

	1995	1996	1997	1998	1999	2000	2001	2002
Clinton Budget	\$46	\$44	\$48	\$53	\$59	\$67	\$74	\$83
Medicare Preservation Act	\$46	\$54	\$57	\$60	\$64	\$72	\$78	\$87

Source: Congressional Budget Office

Under MedicarePlus, Seniors Will Have Expanded Choices of Health Care:

- Managed care, like a PPO or HMO, limiting out of pocket costs.
- A Medical Savings Accounts (MediSave), paring purchase of a high-deductible insurance policy with a designated Medicare medical savings account, giving seniors more control of their health care dollars.